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August 14, 2015

To: Mayor Michael D. Antonovich
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From: Sachi A. Hamai
Interim Chief Executive Officer

WASHINGTON, D.C. UPDATE ON MAJOR BUDGET-RELATED ISSUES FACING CONGRESS AFTER IT RECONVENES IN SEPTEMBER

Executive Summary

This memorandum is to provide the Board with an update on major budget-related issues of County interest that Congress will be facing after it reconvenes from its August recess on September 8, 2015:

- Continuing Resolution to temporarily fund Federal programs and activities after Federal Fiscal Year (FFY) 2015 ends on September 30, 2015;
- Extension of surface transportation (highway and mass transit) programs beyond October 29, 2015;
- Increase in the Federal debt limit by the end of October; and
- Budget reconciliation legislation, which could make changes in mandatory (entitlement) spending and taxes, and which could provide for the repeal of the Affordable Care Act.

Federal Fiscal Year (FFY) 2016 Continuing Resolution

On August 6, 2015, the Senate began its August recess, one week after the House recessed. After both houses reconvene on September 8, 2015, they will be facing major issues that will occupy much of their time through the end of the year.

The most immediate issue affecting the County that Congress must address is a Continuing Resolution (CR) to temporarily fund Federal programs and activities beyond FFY 2015, which ends on September 30, 2015. To date, the House has passed only six of the 12 individual FFY 2016 appropriations bills, which fund discretionary programs and activities, while the Senate has not passed any of them. Senate Democrats have used the threat of filibusters to block all FFY 2016 appropriations bills. They support higher overall discretionary spending levels than the sequestered spending caps set by the Budget Control Act of 2011 that have been used in FFY 2016 appropriations bills drafted by the Republican majority in both houses.

A CR must be enacted to avoid a partial Federal government shutdown similar to the most recent shutdown which occurred in October 2013. Senate Majority Leader Mitch McConnell has vowed that there would not be a government shutdown and House Speaker John Boehner also has cited the need to enact a CR in September. The CR is likely to be a short-term funding bill, which lasts no longer than until December 18, 2015 when Congress is scheduled to recess for the holidays.

There is a risk of a partial government shutdown at the start of FFY 2016. This is because a majority of House Republicans might insist on the inclusion of policy riders that could endanger House or Senate passage of a CR or trigger a Presidential veto. The Obama Administration has issued veto threats on all of the six House-passed FFY 2016 appropriations bills due its opposition to their funding levels and their environmental, immigration, and other policy riders. In late July, a letter signed by 18 House Republicans was sent to the House Republican leadership indicating that they will oppose any appropriations bill or CR that provides funding for Planned Parenthood.

It is noteworthy that relatively few legislative days will be available for Congress to clear a CR for the President's signature before FFY 2016 begins on October 1, 2015. When Congress reconvenes next month, review of the Iran nuclear agreement will occupy most of its time through September 17, 2015, which is its statutory deadline for passing a resolution of disapproval of the agreement. If such a resolution is not passed by that date, the President is authorized to proceed to lift sanctions on Iran. After September 17th, the House is scheduled to be in session for only four days and the Senate for eight days through the end of September.

Surface Transportation Reauthorization

Before leaving for its August recess, Congress extended the current authorization for surface transportation (highway and mass transit) programs for three months through October 29, 2015. This extension is intended to provide Congress with time to enact a multi-year (ideally six-year) surface transportation reauthorization bill. However, while the Senate passed a six-year reauthorization bill (H.R. 22) on July 30, 2015, the House has not yet passed its version. The biggest obstacle to enacting a multi-year reauthorization bill has been the lack of agreement on how to raise sufficient revenue for the Highway Trust Fund to finance highway and transit programs. Since the last six-year surface transportation reauthorization act expired at the end of FFY 2003, Congress has enacted 24 shorter reauthorization bills, including the two short-term extensions enacted since Memorial Day in 2015. Therefore, it is more likely that Congress will enact another short-term surface transportation extension rather than long-term extension before the end of October.

Federal Debt Limit

On July 29, 2015, Treasury Secretary Jack Lew sent a letter to Congress to advise that the Federal debt limit will be reached at the end of October. The Congressional Budget Office previously estimated that the debt limit will be reached in October or November. If the debt limit is not increased, the Federal government no longer would be able to meet its existing legal obligations, including, but not limited to, paying interest on the national debt, salaries, entitlement benefits, and other bills. Legislation to increase or suspend the Federal debt limit is widely seen as "must sign" legislation, which Congress never has failed to enact in our nation's history.

FFY 2016 Budget Reconciliation Legislation

The FFY 2016 Budget Resolution (S. Con. Res. 11), which Congress approved in the spring, includes budget reconciliation instructions for each Senate and House committee which has jurisdiction over parts of the Affordable Care Act (ACA), to report legislation that would reduce the budget deficit by at least $1 billion over 10 years with the intent that reconciliation be used to repeal the ACA. This is important because budget reconciliation legislation, which makes changes to mandatory spending and/or revenues, cannot be filibustered in the Senate. It, therefore, can be passed by the Senate on a simple majority vote rather than a 60-vote majority.

Besides being the legislative vehicle for repealing the ACA, budget reconciliation legislation also could be used to make other changes in mandatory spending programs, such as to convert Medicaid into a block grant or to impose per capita caps on Medicaid spending. The President would veto legislation that repeals the ACA or makes deep cuts in Medicaid spending. However, budget reconciliation might be used to pass a compromise budget deal between the Obama Administration and Congressional Republican leadership that would make much smaller cuts in Medicaid and other mandatory spending. Such a budget deal could be similar to the Bipartisan Budget Act of 2013, which increased overall discretionary spending caps, but reduced the net Federal budget deficit through a combination of relatively small cuts in mandatory spending (including Medicaid) and revenue increases.

We will continue to keep you advised.

SAH:JJ:MR
MT:lm

c: All Department Heads
Legislative Strategist